



EAST CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE

NOVEMBER 2020



Date: 26th November 2020

Introduction

- 1.1 LGSS provides the Internal Audit service for East Cambridgeshire District Council and has been commissioned to provide 210 days to deliver the 2020/21 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Finance and Assets Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

Performance

2.1 Delivery of the 2020/21 Audit Plan

At the time of reporting, fieldwork on ten assignments from the 2020/21 Audit Plan is either complete or underway, representing 53% of the planned work.

Progress on individual assignments is shown in Table 1.

2.2 Are clients satisfied with the quality of the Internal Audit assignments?

To date, one survey response has been received in relation to feedback on completed assignments for the 2020/21 audit plan and results are summarised in Table 4.

2.3 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

Since the last Committee meeting, one audit report has been finalised. To date, the audit work has not highlighted any issues or weaknesses which would impact upon the overall Internal Audit opinion. The key findings from the report were as follows:

Building control

The Building Regulations are the minimum standards for the design, construction and alterations to virtually every building. An effective and efficient Building Control service ensures that buildings are properly designed and constructed so as to ensure the health, welfare and convenience of people using them. The Building Control service has two elements, fee earning and non-fee earning ring-fenced work. The fee earning element operates in accordance with the Building (Local Authority Charges) Regulations 2010 and CIPFA accounting requirements and must be self-financing over a continuous three-year rolling period. Local Authority Building Control is subject to competition from private sector building control bodies (approved inspectors) who provide the same service. For the financial year 2019/20 income from building control fees amounted to £265,102.11 compared to £273,064.83 in 2018/19. The overall objective of the audit was to provide assurance over the management of the Building Control service and the recovery of monies due.

There is a link to fees and charges for building control published in the Council’s fees and charges register which for the financial year 2020/21 was approved by Full Council on 20th February 2020. It was noted, however, that electronic links to fees needed to be reviewed and this has been noted by officers to ensure links are accurate and up to date in future.

Sample testing of 25 building control applications during the period July 2019 to June 2020 identified 100% compliance with key controls including the correct fees being collected in accordance with the fees and charges applicable at the time of the application. Debt recovery is controlled centrally by Financial Services and, prior to changes to debt recovery procedures during the Covid 19 pandemic, was found to be operating effectively.

Based on the work performed during the audit, overall good assurance can be given that there are effective controls in operation. The assurance opinions given are as follows:

Assurance Opinion		
Control Environment	Good	●
Compliance	Substantial	●
Organisational Impact	Minor	●

2.4 Implementation of audit recommendations by officers

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation. In order to provide the Committee with assurances that these actions are being implemented in a timely and effective manner, a more robust follow up process has been implemented for the 2020/21 financial year.

Since the last Committee meeting, four agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there are four actions which are overdue for implementation. Of these, two have been assessed as ‘Medium’ priority and has been overdue for more than three months. As such, further details are provided in Table 3.

Table 1 - Progress against 2020/21 Internal Audit Plan

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Governance & Counter Fraud							
Counter Fraud Procedures	Q2	In progress		Consultancy			
National Fraud Initiative	Q3	Complete	Data upload in Q3	Consultancy			
Risk Management support	Q1 – Q4	In progress		Consultancy			
Annual Governance Statement	Q1	Complete	Not applicable	Consultancy			
Procurement compliance	Q4	<i>Not started</i>					
Key Financial Systems							
Bank Reconciliation	Q3	<i>Not started</i>					
Creditors	Q4	<i>Not started</i>					
Debtors	Q4	<i>Not started</i>					
Payroll	Q4	<i>Not started</i>					
Treasury Management	Q4	<i>Not started</i>					
Budgetary Control	Q3	<i>Not started</i>					

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Key policy compliance							
Off contract spend	Q4	Not started					
Risk based audits							
Local Authority Trading Companies	Q3	Fieldwork underway					
Asset management	Q3	Not started					
Data protection/GDPR	Q3	Fieldwork underway					
S106 monitoring	Q2	Fieldwork underway					
Disabled facilities grants	Q1	Final report issued	<i>To provide assurance over the management of DFGs in relation to the application and verification process to manage the risk of fraud, and the delivery of value for money from spend.</i>	Good	Good	Minor	Summarised at September 2020 committee meeting
Building control	Q2	Final report issued	<i>To provide assurance over the efficient and effective delivery of the service and recovery of costs.</i>	Good	Substantial	Minor	See section 2.3
Cyber Security	Q3	Fieldwork underway					

Table 2 - Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	-	-	2	40%	2	67%	4	50%
Actions overdue by less than three months	-	-	1	20%	-	-	1	13%
Actions overdue by more than three months	-	-	2	40%	1	33%	3	37%
Totals	-	100%	5	100%	3	100%	8	100%

Table 3 – Actions overdue more than three months (medium priority)

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
Information Governance						
2016/17	Payroll	<p>Audit trail for new appointments' starting salaries</p> <p><i>Sample testing highlighted inconsistent forms being used to document starting salaries. The template Starting Salary form was not being consistently applied, despite being included in the existing policy. The most efficient and effective means for capturing starting salary information is to be reviewed and confirmed as part of the Recruitment policy review.</i></p> <p><i>In the meantime, HR agreed to apply the existing template for all new appointments.</i></p>	Medium	HR Manager	31/03/2020	<p>In total, nine updated HR policies were presented to a virtual Joint Consultative Committee (JCC) meeting with a consultation period from 01/10/20 to 30/10/20 – these included the Recruitment & Selection policy.</p> <p>Responses from Unison have been received and are now being considered before the policies are finalised.</p>
2019/20	Absence Management	<p>Updates to Managing Attendance & Stress at Work Policy and Procedure</p> <p><i>The Council has in place a Managing Attendance and Stress at Work Policy and Procedure which was last reviewed in January 2016. Whilst significant amendments may not be necessary, the policy and procedure need to at least reflect changes in processes arising from the implementation of iTrent.</i></p>	Medium	HR Manager	31/10/2019	<p>As above – Managing Attendance and Stress at Work policy included in the suite of policies subject to consultation in October 2020.</p>

Table 4: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There has been one survey response received during the year to date.

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	-	1	-	-
Communication during assignment	-	1	-	-
Quality of reporting	-	1	-	-
Quality of recommendations	-	1	-	-
Total	-	4	-	-

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances			
Level		Control environment assurance	Compliance assurance
Substantial	●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good	●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory	●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited	●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level		Definition
Major	●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Finance and Assets Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.